



**Agency Meeting: June 24, 2008**

**SUBJECT: Public Hearing to Approve the Midterm Review on the Progress of the Five-Year Implementation Plan for FY 2004/05 to FY 2008/09 for the Central Core Redevelopment Project Area as Required by Section 33490(c) of the California Redevelopment Law**

**REPORT IN BRIEF**

California Redevelopment Law (CRL) requires that a redevelopment agency administering a redevelopment plan prepare and adopt a five-year implementation plan for its project areas. At least once during the five year period of the Plan, the Agency is required to hold a public hearing to hear from all interested parties for the purpose of reviewing the Plan and evaluating the progress of the Agency's programs and projects.

The attached document constitutes the Midterm Review of the FY 2004/05 through FY 2008/09 Implementation Plan for the Sunnyvale Central Core Redevelopment Project Area, which was established in 1975. This Midterm Review updates the outlined program of revitalization, economic development, and housing activities of the Redevelopment Agency of the City of Sunnyvale for the five-year planning period.

Staff recommends that the Agency Board conduct the public hearing and approve the Midterm Review of the Five-Year Implementation Plan for the Central Core Redevelopment Project Area.

**BACKGROUND**

The Redevelopment Agency of the City of Sunnyvale, established November 19, 1957, adopted a Redevelopment Plan for the Central Core Redevelopment Project Area by Ordinance No. 1796-75 on November 26, 1975.

Assembly Bill 1290, passed in 1994, imposed planning and reporting requirements on redevelopment agencies throughout California. Agencies are required to prepare an Implementation Plan every five years. The Agency's first plan was adopted in December 1994 for FY1994/95 to FY 1998/99. The Agency's second plan was adopted in January 2000 for FY 1999/00 to FY 2003/04. This proposed Midterm Review updates the progress on the Agency's third Five-Year Implementation Plan adopted in March 2005 for FY 2004/05 to FY 2008/09.

Section 33490 of the California Redevelopment Law (CRL) requires that a redevelopment agency prepare and adopt a five-year implementation plan for its project areas. Section 33490(c) of the CRL requires that at least once during the five year period, between the second and third year of the Plan, the Agency holds a public hearing to hear from all interested parties for the purpose of reviewing the Plan and evaluating the progress of the Agency's programs and projects.

Implementation Plans cover anticipated redevelopment activities over the five year period. The plan must describe specific goals and objectives of the Redevelopment Agency, specific programs, including potential projects, estimated expenditures to be made during the five year period, and how these projects will improve or alleviate blighted conditions in the project area. It must also contain a section on the Agency's housing responsibility.

In 1986, the legislature retroactively imposed a new statutory obligation on Redevelopment Agencies established prior to 1977 to set aside 20 percent of the tax increment generated from the project area each year in a special housing fund for the provision of affordable housing. Sunnyvale's Agency defers making deposits into its Housing Fund as allowed by CRL and is accumulating a deficit obligation because no tax increment revenue remains after the Agency has paid on its existing pre-1986 debt obligations. In June 1994 the Agency adopted a Housing Fund Deficit Reduction Plan. That plan called for the Agency to reduce its Housing Fund Deficit by making additional payments from tax increment revenues after repayment of the existing post-1986 debt obligations.

#### **EXISTING POLICY**

The Redevelopment Implementation Plan Goal 1 states: *Meet the Agency's Existing Financial and Administrative Obligations*

#### **DISCUSSION**

The attached Midterm Review of the Implementation Plan is divided into three sections: Introduction, Non-Housing Implementation Plan, and Housing Component. The goals and objectives are defined, programs and projects are outlined, and the alleviation of blight is discussed. The Midterm Review of the Implementation Plan is an update for the five-year period, while still providing flexibility so the agency may adjust to changing circumstances and new opportunities.

The plan is based on existing planning reporting documents, including the Downtown Specific Plan. The goals of the Implementation Plan have not been changed and are listed as follows:

- Meet the Agency's existing financial and administrative obligations.
- Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.
- Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.
- Develop and implement an overall parking strategy that meets the needs of retail, office, housing and visitor demand.
- Increase housing opportunities.

Since the adoption of the FY 2004/05 – FY 2008/09 Implementation Plan, three plan amendments that are integral to the downtown revitalization effort were adopted. The amendments extended the time limits of the Plan by three years and increased the financial collection limit of the Plan to \$600 million.

SB 1045 and 1096 required that redevelopment agencies throughout California collectively contribute to the Educational Revenue Augmentation Fund (ERAF). To compensate agencies, the legislature enacted a provision which permits agencies to extend their plan time limit and plan effectiveness by three years. Agencies would be able to receive tax increment revenue for three additional years. The adoption of the Fifth and Sixth Amendments to the Redevelopment Plan for the Central Core Redevelopment Project Area amended the Plan Effectiveness date from November 26, 2015 to November 26, 2018 and time limit to collect tax increment from November 26, 2025 to November 26, 2028.

The original tax increment limit that the Agency could collect over the life of the Plan was \$118 million, as set in 1986. It was projected that tax increment cap would be reached by FY 2013/2014. If the cap were not increased, the Agency would not realize any tax increment for the remainder of the life of the Plan. The Agency amended the Plan to increase the Tax Increment collection limit for the Central Core Redevelopment Plan from \$118 million to \$600 million. The Amended Plan provides for sufficient tax increment to make redevelopment of the Town Center Mall feasible, allows for necessary public improvement projects, and increases the Redevelopment Agency's ability to repay existing debt obligations.

Redevelopment activities, since the adoption of the Implementation Plan, were centered on approving and implementing the new development agreement for

the redevelopment of downtown Sunnyvale. An Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA) with the new owner/developer was approved. The ARDDOPA has some significant changes from the original development agreement. The Agency added a more aggressive construction schedule, with new financial penalties if the project is not completed on schedule. The ARDDOPA also includes minor changes to street locations to improve traffic flow, lowering the movie theatre, and changes to the location of some retail and offices to enhance the Project appearance. The ARDDOPA has added provisions acknowledging that Target will be building a new store as part of the redevelopment of the Town Center.

The review of the housing component of the plan still anticipates that there will not be sufficient tax increment revenue to make payments or reduce the deficit in the Agency's Housing Fund, and that the deficit will almost double over the five year plan period. Even though the Redevelopment Plan ends in 2028, the Agency can continue to receive tax increment revenue to fund the housing deficit fund if needed.

#### **FISCAL IMPACT**

Review of the updated financial projections outlined in the Plan reflect that towards the end of the Five-Year Plan the tax increment revenue will increase from new development. However, there will not be sufficient funds to reduce the Housing Fund Deficit.

#### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk. A legal add was published once a week for three weeks and notice was posted four places within the project area.

#### **ALTERNATIVES**

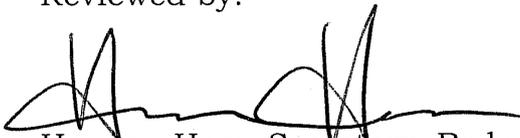
1. Approve the Midterm Review of the Five-Year Implementation Plan for the Central Core Redevelopment Project Area (Attachment A).
2. Modify and approve the Midterm Review of the Five-Year Implementation Plan for the Central Core Redevelopment Project Area (Attachment A).
3. Do not approve the Midterm Review of the Five-Year Implementation Plan for the Central Core Redevelopment Project Area (Attachment A).

**RECOMMENDATION**

Staff recommends Alternative 1; approve the Midterm Review of the Five-Year Implementation Plan for the Central Core Redevelopment Project Area.

California Community Redevelopment Law requires that the Agency prepare and adopt a Five-Year Implementation Plan. The Midterm Review of the Implementation Plan is intended to provide an update of the implementation of the Agency's programs and activities. The Agency expects that particular constraints and opportunities, not fully predictable at this time, will arise in the course of undertaking the projects and activities described in this updated Plan over the five year period.

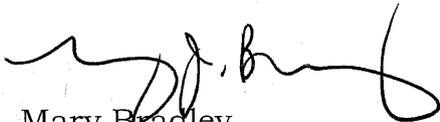
Reviewed by:



Hanson Hom, Secretary, Redevelopment Agency

Prepared by: Brice McQueen, Manager, Redevelopment Agency

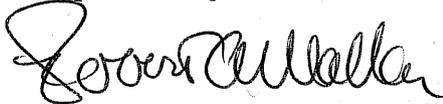
Reviewed by:



Mary Bradley

Treasurer, Redevelopment Agency

Approved by:



Amy Chan

Executive Director, Redevelopment Agency

**Attachments**

- A. Midterm Review of Five-Year Implementation Plan for FY 2004/05 to FY 2008/09.

**Midterm Review of  
Five-Year Implementation Plan  
FY 2004/05 to FY 2008/09**



**Prepared by**

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# I. Introduction

Section 33490 of the California Community Redevelopment Law (the “CRL”) requires that a redevelopment agency administering a redevelopment plan prepare and adopt a five-year implementation plan for its project areas. The principal goal of the implementation plan is to guide an agency in implementing its redevelopment program to help eliminate blighting influences. In addition, the affordable housing component of the implementation plan provides a mechanism for a redevelopment agency to monitor its progress in meeting both its affordable housing obligations under the CRL and the affordable housing needs of the community. In effect, the implementation plan is a guide, incorporating the goals, objectives and potential programs of an agency for the five-year implementation plan period, while providing flexibility so the agency may adjust to changing circumstances and new opportunities.

Section 33490(c) of the CRL requires that the Agency, at least once during the five year period of the Plan, hold a public hearing for the purpose of reviewing the Plan and evaluating the progress of the Agency’s programs and projects.

This document constitutes the Midterm Review of the FY 2004/05 through FY 2008/09 Implementation Plan for the Sunnyvale Central Core Redevelopment Project Area (the “Project Area”), which was established in 1975. This Midterm Review updates the outlined program of revitalization, economic development, and housing activities of the Redevelopment Agency of the City of Sunnyvale (the “Agency”) for the required five-year implementation period.

## A. Organization

The midterm review contains the following information:

- Specific goals and objectives for both housing and non-housing activities.
- Specific programs and expenditures for both housing and non-housing activities.
- An explanation of how the goals, objectives, programs and expenditures will assist in the elimination of blight and in meeting affordable housing obligations.

Chapter I provides a basic discussion of the CRL requirements, Project Area description, Agency accomplishments to date, and goals and objectives for the Project Area. Chapter II summarizes the proposed non-housing activities and related revenues and expenditures for the five years, and a description of the blighting conditions and how they will be alleviated by the activities. Chapter III addresses housing activities and expenditures, and tracks Agency progress in meeting its affordable housing obligations.

## **B. Interpretation**

The Midterm Review is intended to provide an update of the implementation of the Agency's programs and activities. The Agency expected that particular constraints and opportunities, not fully predictable at the time the Implementation Plan was developed, will arise in the course of the undertaking of projects and activities described in the Implementation Plan. Therefore, the Agency uses the Implementation Plan as a flexible guide. The Agency acknowledges that specific projects and activities as actually implemented over the five years may vary in their precise timing, location, cost, expenditure, scope and content from those set forth in the adopted Plan.

## **C. Description of the Redevelopment Plan and Project Area**

The Redevelopment Plan for the Central Core Redevelopment Project (as amended, the "Redevelopment Plan") was adopted by the Sunnyvale City Council in November 1975. The Sunnyvale Central Core Redevelopment Project Area consists of 184 acres, including the Central Business District.

Since the adoption of the FY 2004/05 – FY 2008/09 Implantation Plan, three plan amendments that are integral to the downtown revitalization effort were adopted. The amendments extended the time limits of the Plan by three years and increased the financial collection limit of the Plan to \$600 million.

SB 1045 and 1096 required that redevelopment agencies throughout California collectively contribute to the Educational Revenue Augmentation Fund (ERAF). To compensate agencies, the legislature enacted a provision which permits agencies to extend their plan time limit and plan effectiveness by three years. Agencies would be able to receive tax increment revenue for three additional years. The adoption of the Fifth and Sixth Amendments to the Redevelopment Plan for the Central Core Redevelopment Project Area amended the Plan Effectiveness date from November 26, 2015 to November 26, 2018 and time limit to collect tax increment from November 26, 2025 to November 26, 2028.

The original tax increment limit that the Agency could collect over the life of the Plan was \$118 million, as set in 1986. It was projected that tax increment cap would be reached by FY 2013/2014. If the cap were not increased, the Agency would not realize any tax increment for the remainder of the life of the Plan. The Agency amended the Plan to increase the Tax Increment collection limit for the Central Core Redevelopment Plan from \$118 million to \$600 million. The Amended Plan provides for sufficient tax increment to make redevelopment of the Town Center Mall feasible, allows for necessary public improvement projects, and increases the Redevelopment Agency's ability to repay existing debt obligations.

Table I-1 below provides a summary of the time and financial limits of the Redevelopment Plan for the Project Area. The boundaries of the Project Area are shown in Figure I-1.

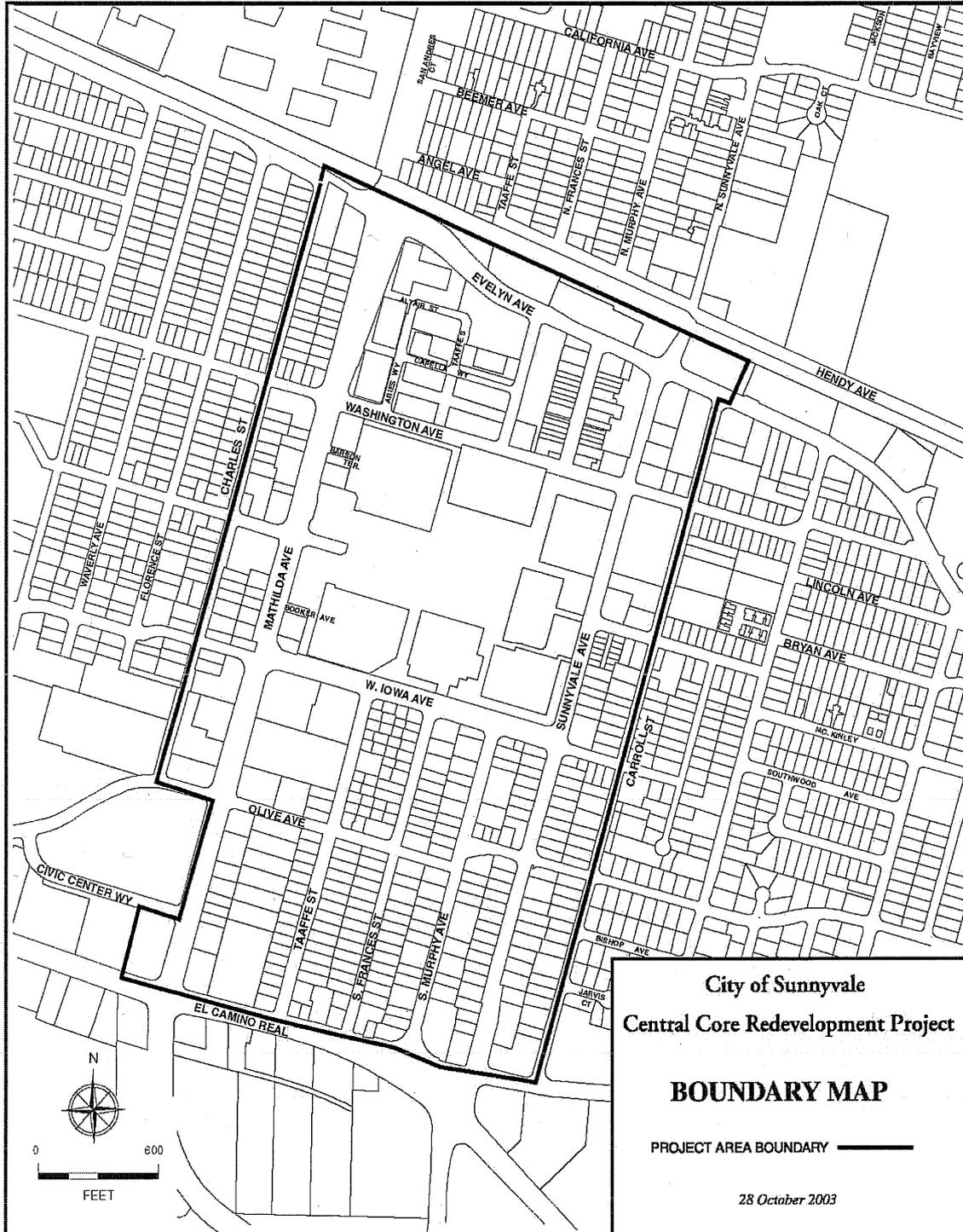
**Table I-1**  
**Summary of Sunnyvale Central Core Redevelopment Plan**  
**Time and Fiscal Limits**

	<b>SUNNYVALE CENTRAL CORE PROJECT AREA</b>
<b>Background Information</b>	
Total Acres	184
Date of Adoption	11/26/1975
<b>Time Limits</b>	
Incurring Debt	01/01/2004
Plan Effectiveness (Project Activities)	11/26/2018
TI Collection/Repayment of Debt	11/26/2028
Eminent Domain	1/13/2012(a)
<b>Financial Limits</b>	
Tax Increment Cap	\$600 million
Bond Limit	None specified

(a) Only on non-residential properties in the Project Area.

The purpose of establishing the Redevelopment Plan was to eliminate blight and to stimulate private development of the downtown core area. One of the Agency's original activities was to assist in the development of the 750,000 square foot Sunnyvale Town Center shopping mall, which was opened in 1979. The Agency's assistance included land assembly and disposition and financing of necessary off-site improvements. Financing of Project Area activities has included tax allocation bonds, certificates of participation secured by revenue from an Agency-owned parking facility, and other City loans.

**Figure I-1**  
**Boundaries of Project Area**



## D. Project Status

For various reasons, including the limitation on and roll-back of property tax rates mandated by Proposition 13 soon after adoption of the Redevelopment Plan, tax increment revenue allocated to the Agency was insufficient to pay the annual debt service on the Agency's Central Core Tax Allocation Bonds (the "TABs") and parking facility Certificates of Participation (the "COPs") until recent years. Consequently, the Agency entered into a Repayment Contract with the City in 1977 (the "1977 City Loan") to repay the City for costs paid on its behalf, plus 8% interest on the unpaid balance. The funds used to repay the City are generated from tax increment revenue, but the City loan obligation is subordinate to Agency debt service payments due on its TABs and COPs. While tax increment revenues in the last few years have been sufficient to meet the Agency's annual debt service, the outstanding balance of the City Loan continues to grow as a result of annual interest costs. In addition, the Agency needed to borrow additional funds from the City in FY 1993/94 (the "1994 City Loan") and FY 2001/02 (the "Plaza Loan") to fund operating and capital costs.

In 1986, the legislature imposed a new statutory obligation on Redevelopment Agencies to set aside 20 percent of the tax increment revenue generated in a Project Area each year in a special fund for the provision of affordable housing (the "Housing Fund"). Agencies that had issued debt secured by tax increment prior to January 1, 1986 and needed all of their tax increment to repay this pre-existing debt were not required by the CRL to make deposits into the Housing Fund through FY 1993/94 if they made appropriate findings. The Agency made the findings under the CRL that exempted it from the obligation to make such Housing Fund deposits through FY 1993/94. Starting in FY 1994/95, the Agency has deferred deposits into its Housing Fund under a separate provision of the CRL that allows deferrals to the extent that tax increment revenue is insufficient to make full deposits due to its pre-1986 debt obligations. Given the Agency's significant pre-1986 debt obligation of \$55,249,875, the Agency is projected to defer deposits to the Housing Fund on this basis until approximately 2013. The deferred deposits will become an additional debt that the Agency must repay once sufficient tax increment revenue becomes available. As of the beginning of FY 2007/08, the Agency has accumulated a deficit in the Housing Fund of \$8,000,176. The outstanding balances, including principal and accrued interest on all of the Agency's debt obligations as of the beginning of FY 2007/08 are as follows:

**Table I-2  
Outstanding Agency Debt Obligations as of June 30, 2007**

	<b>Pre-1986 Debt</b>	<b>Post-1985 Debt</b>	<b>Total Debt</b>
Central Core Tax Allocation Bonds	\$7,105,000		\$7,105,000
Parking Facility Certificates of Participation	\$13,400,000		\$13,400,000
1977 City Loan	\$34,744,875		\$34,744,875
1994 City Loan		\$19,694,378	\$19,694,378
Plaza Loan from City		\$2,127,778	\$2,127,778
Total Non-Housing Debt Obligations			
Housing Fund Deficit		\$8,000,176	\$8,000,176
Total Obligations	\$55,249,875	\$29,822,332	\$85,072,207

In summary, the Agency's current annual tax increment revenue of about \$4.7 million is now sufficient to pay debt service on the pre-1986 TABs and COPs, but is insufficient to reduce the balance of the 1977 City Loan or to make any current deposits to the Housing Fund (thus incurring an additional Housing Fund deficit that must be repaid later). Furthermore, there is no remaining tax increment revenue for the Agency to pay general administrative costs or to undertake new activities. Any such administrative costs and new activities can only be undertaken with additional monetary advances from the City, the repayment of which will come far in the future, given the Agency's existing obligations and annual tax increment revenue flow.

## **E. Agency Midterm Accomplishments FY 2004/05 – FY 2008/09**

Redevelopment activities, since the adoption of the Implementation Plan, were centered on approving a new development agreement for the redevelopment of downtown Sunnyvale.

On October 2, 2006, Fourth Quarter Properties requested permission from the Agency to transfer the project to RREEF America III (RREEF) and Sand Hill Property Company. Under the terms of the original development agreement, the Agency can approve or disapprove the transfer in its discretion. Staff utilized ten criteria to evaluate the ability of RREEF/Sand Hill to successfully complete the redevelopment project. On December 12, 2006, the Redevelopment Agency Board gave preliminary approval to transfer the project to the New Developer. This preliminary approval started a 60 day period to complete conditions required for the final transfer approval. Redevelopment Agency staff and RREEF/Sand Hill Property Company worked diligently to complete the negotiations and planning review required prior to the deadline.

On February 6, 2007, the City and Agency approved the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA). The ARDDOPA requires the developer to demolish the Mall and the former J.C. Penney building and construct and operate an open-air mixed-use development containing retail, office and residential uses.

## **F. Overview of Future Activities**

In 2003, the City Council updated the Downtown Specific Plan (the "Specific Plan"), which sets forth two main goals for the Downtown Commercial Core District: (1) to link the different blocks together into a cohesive downtown core and (2) to create a lively street life on all primary streets. The Specific Plan and Redevelopment Implementation Plan continue to set the context for the downtown area's growth and redevelopment. To continue the Project Area revitalization effort in the manner envisioned by the Specific Plan, the Agency and the City are currently implementing programs envisioned in the Specific Plan. Consequently, the Agency's major activities for the coming years will be twofold:

1. To meet the Agency's existing financial and administrative obligations.
2. To work with the City to implement the Specific Plan.

Retail activity at the Town Center Mall began to decline dramatically in the 1990s and the owners of the mall filed bankruptcy in 2002. The Project Area continues to need redevelopment attention, particularly the central area surrounding the Town Center Mall.

On February 6, 2007, the City and Agency approved an open-air mixed-use development containing retail, office and residential uses. The development project will build, maintain, repair and replace public parking structures; and designated public streets. The project will also build and maintain a "Redwood Square" of at least 33,000 square feet.

Environmental conditions required an additional environmental due diligence period prior to closing. Testing provided additional information on the scope and nature of the contamination. The Agency and new developer reached an agreement on modified environmental allocation and cost cap provisions. The modification to the ARDDOPA was approved on April 10, 2007.

The ARDDOPA has some significant changes from the original development agreement. The Agency has added a more aggressive construction schedule with new financial penalties of \$167,000 per month if the project is not completed on schedule. The ARDDOPA also includes the addition of a grocery store, minor changes to street locations to improve traffic flow, lowering the movie theatre, and changes to the location of some retail and offices to enhance the overall appearance. The ARDDOPA has added provisions acknowledging that Target will be redeveloping their existing store from two stories to one, as part of the redevelopment of the Town Center.

The Agency is coordinating the services of various City divisions and departments with the developer's construction activity to facilitate the redevelopment of the Town Center Mall in a timely manner. Included in this effort are the following:

- Monitoring the demolition and construction mitigation plan
- Public outreach and information
- Monitoring compliance with requirements of the ARDDOPA and conditions of approval of SDP
- Approval of reciprocal easement agreement and other legal documents
- Processing final tract maps and land swap
- Plan review and field inspection of public streets and other public infrastructure
- Establishing process for transfer to developer of project-generated tax increment
- Coordination of public events related to the grand opening

The new development will create a new downtown center with street and pedestrian connections to the Cal Train Station, Murphy Street, Town and Country Village, the adjoining residential neighborhoods and Mathilda Street, one of the City's major thoroughfares.

## **G. Five Year Goals and Objectives**

The implementation plan provisions of the CRL require the Agency to establish goals and objectives for the Project Area for the five-year planning period. The following major goals and objectives are being pursued by the Agency, which are the same as those for the overall Redevelopment Program:

### ***Goal 1 Meet the Agency's existing financial and administrative obligations.***

- Objective 1.1 Make all current debt service payments on Tax Allocation Bonds.
- Objective 1.2 Make all reimbursements to the City of current year City payments on the Town Center parking garage COPs, and begin to reduce the principal balance of the 1977 City Loan, if possible.
- Objective 1.3 Adequately and timely perform all reporting, accounting, and administrative functions imposed by the CRL and prudent governmental practice including accurate accounting of the housing fund deficit and deficit reduction plan.
- Objective 1.4 Continue to encourage and nurture private investment in commercial developments.

### ***Goal 2 Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.***

- Objective 2.1 Establish a 24 hour downtown with Class A office buildings around a vibrant retail district with easy parking and public transportation and easy access from a variety of housing types.
- Objective 2.2 Continue public/private partnerships in the development of office, retail, housing, and open space facilities.
- Objective 2.3 Create a unique shopping, dining, entertainment experience in the downtown, combining new restaurants with small shops, major retail stores, and theatre with easy, available parking and strong pedestrian connections to other parts of the downtown.

***Goal 3 Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.***

- Objective 3.1 Complete priority improvements in phases to civic plaza downtown.
- Objective 3.2 Facilitate the redevelopment of the Town Center Mall to provide for an open-air, pedestrian-oriented, retail and residential development.
- Objective 3.3 Complete priority streetscape projects to facilitate an attractive pedestrian environment and to promote development on adjacent parcels.

***Goal 4 Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.***

- Objective 4.1 Support an overall parking strategy for downtown that optimizes parking use based on office, retail, and entertainment peaks.
- Objective 4.2 Replace existing parking and pursue funding opportunities for additional public parking as needed to support downtown development.

***Goal 5 Increase housing opportunities.***

- Objective 5.1 Maintain the character and density of single-family neighborhoods surrounding the downtown.
- Objective 5.2 Encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and County area, and transit corridors in or near the downtown.

## **II. Non-Housing Implementation Plan**

This section describes the five-year Non-Housing Redevelopment Program, including a summary of the project and activity descriptions, deficiencies to be corrected and estimated revenues and expenditures. As they are implemented, the projects and activities may be modified over time to better serve the purposes of redevelopment. The cost estimates are preliminary and subject to refinement as the Redevelopment Program planning and implementation proceed. Some of these projects and activities may not be completed within the five years of the Implementation Plan, and thus, related costs may not be incurred.

### **A. Redevelopment Program FY 2004/05 – FY 2008/09**

The Agency has undertaken projects and activities in the Project Area to alleviate blighting conditions and attain the Redevelopment Program goals and objectives. The projects and activities can be categorized into six basic program categories, as described below.

#### ***1. Financial and administrative activities to meet existing obligations.***

Given the Agency's financial situation, the primary activity for the Implementation Plan period will be to meet its already existing obligations by:

- Making payments on the Central Core Tax Allocation Bonds
- Reimbursing the City for the City's payment of current debt service on the Town Center parking garage Certificates of Participation, and
- Making payments toward the Agency's other debt obligations, particularly the 1977 City Loan.

#### ***2. Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.***

The Agency's revitalization activities have focused on establishing the downtown as a center of activity for the community. The Agency negotiated and approved an Amended and Restated Disposition Development and Owner Participation Agreement with a developer for the Town Center Mall to provide a new pedestrian-oriented, mixed-use, open-air mall including affordable housing, replacement parking, and a multiple screen theater. In addition, review of the redevelopment plans has started for the residential/retail mixed use project on the Town and Country property. Construction has begun on residential units, parking garages and retail buildings for the Town Center Mall and demolition of four of the six Town and Country buildings has been completed.

**3. *Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.***

To establish a unique downtown as contemplated by the Specific Plan, the Agency might assist the City, through non-tax increment resources, in providing needed Project Area infrastructure:

- Traffic mitigation measures within and surrounding the proposed Town Center Mall redevelopment.
- Enhance pedestrian connections, public plazas and parks, including a main plaza in the north of Washington area.
- Reestablish and reconnect McKinley and Murphy Avenues to allow vehicle and pedestrian traffic through the redesigned Town Center area.
- Miscellaneous street improvements, including special sidewalk paving, lighting fixtures, benches, landscaping, landmarks, gateways and wayfinding system. As funds become available and development progresses these features will be added as part of development and part of the City's ongoing infrastructure replacement program.
- Signage program: A comprehensive signage program has begun and will be augmented as projects begin and needs change.
- City plaza: The City has awarded a contract and design work has started on phase two of the City's plaza.
- Murphy Avenue: The City has been pre-approved for up to \$1.69 million in grant funding for Murphy Avenue Streetscape project from the Metropolitan Transportation Commission and Valley Transportation Agency.

**4. *Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.***

The Agency is undertaking an overall parking strategy to insure that there is adequate parking for the activities envisioned for the downtown. The Agency will also explore non-tax increment funding sources to provide adequate parking to support downtown activities. An adequate amount of accessible and affordable public parking is crucial to the success of downtown. Activities will include:

- Town Center Mathilda Avenue parking structure demolition: Closure of the second level of the structure was ordered on June 2, 2003 by the Building Official because of functional obsolescence and deterioration. The city paid \$800,000 for two-thirds of the total demolition cost.
- Town Center Redevelopment: The New Developer will build, maintain, repair and replace all parking structures. A minimum of 4,950 parking spaces will be provided (inclusive of the private parking spaces for the residential units), 1,112 of which will be underground.
- Downtown Parking Projections: The Agency anticipates development in the northern

portion of the downtown parking district. The City has awarded a contract for a parking study to evaluate parking in that area. The study is underway and the results will determine the number of spaces needed to accommodate Caltrain growth and commercial development.

### **5. *Increase Housing Opportunities.***

Housing is also an important component to an economically viable downtown. The goals of the plan are to maintain the character and density of single-family neighborhoods surrounding the downtown and to encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and Country area, and transit corridors in or near the downtown. Approvals have been issued for 292 housing units in the Town Center project, and review is underway on phase one of the Town and Country site with 264 units. Each project will provide 12.5% of the total housing units as below market rate units.

### **6. *Agency Administration.***

The Agency will continue to have various administrative and operational requirements associated with implementing the above projects and activities. These will include program staff, planning functions and legal and other technical assistance.

The Redevelopment Agency adopted an Amended and Restated Plan to conform to current redevelopment law. The purpose of the proposed amendment was to update the Plan to conform to current redevelopment law and to incorporate all of the previous Plan amendments into one document. The Amended Plan presents the process and a basic framework for the goals and objectives of development projects in conformance with Sunnyvale's General Plan and the statutory provisions in effect at the time of adoption of the Amended Plan.

## **B. Linkage between Proposed Redevelopment Program and Elimination of Blighting Influences**

The Midterm Review provides an update of how the goals, objectives, programs and expenditures for the five-year planning period will serve to eliminate blighting conditions in a project area.

Within the Project Area the following physical conditions continue to be significant: poor site conditions, poor building conditions, and parcels of irregular shape and form. Economic blighting conditions, including impaired investments, commercial vacancies and the underutilization of commercial parcels, continue to inhibit the ability of this area to improve without continuing assistance from the Redevelopment Agency. The economic decline is also evident in underutilization of real estate, the presence of marginal businesses, declining retail

sales, and low lease rental rates. The physical decline is evident in the absence of modern real improvements to low lease storefronts and the absence of adequate parking facilities. In particular the Town Center Mall experienced significant declines in business resulting in its owner declaring bankruptcy in 2002.

As a key element of the Redevelopment Program, the Agency and the City negotiated an Amended and Restated Disposition, Development and Owner Participation Agreement (ARDDOPA) with a private developer to redevelop the Town Center Mall and replace the deteriorated parking deck. Other Redevelopment Program activities may include acquisition and assembly of small, underutilized and/or poorly configured parcels of land that would otherwise be inadequate for modern development. The proposed Redevelopment Program would foster economic growth, attract more people to the downtown, and develop more retail by reinvigorating commercial uses. New development will add value to tax rolls, encourage further development, generate demand for Project Area properties and increase property values. The proposed program would also provide an incentive for existing owners and the private sector to reinvest in their underutilized and blighted properties.

The provision of adequate and easily accessible parking will assist in the retention and attraction of businesses within the Project Area. The construction and upgrade of necessary public improvements and facilities will provide improved public health, safety and welfare due to better pedestrian and vehicular traffic circulation and access, and enhanced aesthetics through streetscape design and construction. The parking projects will meet the demand generated by new development.

The expected benefits of redevelopment projects include:

- Increased commercial rents and retail sales volumes;
- Owner upgrades to existing properties;
- Increased assessed values from new development;
- Renewed interest in the downtown; and
- Enhanced job growth opportunities.

The work envisioned over the implementation period intends to continue programs that have helped create an environment supportive of downtown office and retail development. Through programs that encourage building owners and merchants to rehabilitate and reinvest in their properties, the Agency is directly confronting both the physical and economic blight that still remains.

Due to the Agency's significant outstanding debt obligations, one of the Agency's primary activities for the five-year Implementation Plan period was to repay existing debt obligations related to the Agency's Tax Allocation Bonds and Certificates of Participation and the 1977 City Loan. These debts were incurred by the Agency to fund the original public investment in the Town Center Mall, including land assembly and write-down, site preparation, and parking garage construction. The combined public/private effort to develop the Town Center Mall, in turn, eliminated certain blighting conditions in the Project Area identified at the time of adoption of the Redevelopment Plan in 1975. In effect, by continuing to pay debt service costs on the

debts incurred in 1977, the Agency is continuing to finance activities that alleviated those original blighting influences and will enable the City to assist in future redevelopment of the Town Center Mall.

The Agency will continue to address remaining blighting influences in the Project Area through its planning activities. These activities include the redevelopment of the Town Center Mall into an open-air, pedestrian-oriented mixed-use center for retail, housing, and entertainment, encouraging the redevelopment of the Town and Country area for housing and retail, provision of increased public parking, a downtown plaza, streetscape improvements and pedestrian linkages. These activities will help eliminate blighting conditions including: age, obsolescence, deteriorated structures, economic stagnation resulting in high vacancy rates and low retail sales volumes and the lack of adequate public infrastructure, including lack of traffic circulation improvements and off-street parking.

Table II-1 on the following page provides a matrix summarizing the relationship between proposed goals, objectives, projects and activities and how they will eliminate blight.

## **C. Five-Year Implementation Plan Revenues**

The Agency has two primary potential revenue sources: debt issuance proceeds and annual tax increment revenues. The source and uses of Agency revenues are summarized in Table II-2.

### **1. *Debt Issuance Proceeds***

The Agency does not anticipate incurring any new debt during the Five-Year Plan period. The Agency is accruing pre-established Town Center Mall redevelopment and Agency administration debt which was adopted in a repayment agreement between the Redevelopment Agency and the City by Council on December 18, 2003 (RDA 03-014).

### **2. *Annual Tax Increment Revenues***

Tax increment revenues generated in the Project Area during the five-year planning period are projected to be approximately \$23.5 million and are expected to be fully applied to Agency administration, ERAF payments and debt service obligations. Because of the Agency's high level of outstanding debt obligations, almost all tax increment generated revenue will be used to repay these debts during the five-year Implementation Period. The only funds available for Non-Housing projects are those amounts previously reserved in a Capital Projects Fund that were generated from non-tax increment sources. The updated projected tax increment in the five-year planning period maintains an increase in assessed values from the redevelopment of the Town Center Mall. The available annual tax increment revenues and the uses of these funds are summarized in Table II-2.

**Table II-1  
Linkage of Five-Year Programs and Activities with Elimination of Blight**

Program Categories and Activities	Blighting Conditions				
	Deficient & Deteriorated Buildings	Physically Obsolete Buildings/ Lack of Parking	Deteriorated and/or Inadequate Utilities	Depreciated or Stagnant Property Values/ Economically Obsolete Buildings	Inadequate Public Improvements
<b>Financial and administrative activities to meet existing obligations</b>					
Make payments on the Central Core Tax Allocation Bonds.		•	•	•	•
Reimburse the City for the City's payment of debt service on parking garage Certificates of Participation.		•	•	•	•
Make payments toward the Agency's other debt obligations, particularly the 1977 City Loan.	•	•	•	•	•
<b>Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.</b>					
Entered into a development agreement (ARDDOPA) with the selected developer for the Town Center Mall to provide a new pedestrian-oriented, mixed use, open-air mall including affordable housing, replacement and additional parking and a multiple screen theater.	•	•	•	•	•
<b>Implement specific actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.</b>					
Traffic mitigation measures within and surrounding the proposed Town Center Mall redevelopment.			•	•	•
Enhance pedestrian connections, public plazas and parks, including a main plaza in the north of Washington area.			•	•	•
Reestablish and reconnect McKinley and Murphy Avenues to allow vehicle and pedestrian traffic flow through the redesigned Town Center area.			•	•	•
Miscellaneous street improvements, including special sidewalk paving, lighting fixtures, benches, landscaping, landmarks, gateways and wayfinding system.			•	•	•
Signage program.			•	•	•
<b>Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.</b>					
Maintenance of the Town Center parking structures.		•	•	•	•
<b>Increase housing opportunities.</b>					
Maintain the character and density of single family neighborhoods surrounding the downtown.	•				
Encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment, the Town and Country area, and transit corridors in or near downtown.	•			•	•

**Table II-2  
Agency Revenue Available for Non-Housing Redevelopment Activities  
FY 2004/05 - FY 2008/09**

1	2	3	4	5	6	7	8	9
Year	Net Tax Increment Revenues To Agency(a)	Less: Pass-through Payments & Agency Admin (b)	Less: ERAF Payments(c)	Less: Housing Set-Aside	Other Agency Income (d)	Less: Non-Housing Debt Obligations(e)	Net Debt Issuance Proceeds	Total Funds Available for Non-Housing Projects (f)
<b>Fund Balance through FY 2003/04</b>								\$1,543,660
<b>FY 2004/05</b>	\$3,649,637	\$195,314	\$264,141	\$0	\$108,151	\$3,298,333	\$0	\$1,394,503
<b>FY 2005/06</b>	\$3,730,041	\$166,578	\$336,096	\$0	\$106,235	\$3,333,602	\$0	\$1,536,474
<b>FY 2006/07</b>	\$4,991,611	\$436,295	\$0	\$0	\$106,746	\$4,662,062	\$0	\$1,481,636
<b>FY 2007/08</b>	\$4,856,846	\$270,753	\$0	\$0	\$100,000	\$4,686,093	\$0	\$1,481,636
<b>FY 2008/09</b>	\$6,395,478	\$356,674	\$0	\$0	\$100,000	\$6,138,804	\$0	\$1,472,658
<b>Total</b>	\$23,623,613	\$1,425,614	\$600,237	\$0	\$521,132	\$22,118,894	\$0	\$1,543,660

- (a) Figures equal the amount remitted to the Agency, which includes the gross tax increment revenues and supplemental AV revenue (80% portion) less County admin fee. Projection assumes increased assessed values from Town Center Mall redevelopment. During the five year Plan period, tax increment generated from the mall will be used to repay debt obligations to the City.
- (b) This figure only includes Agency admin costs since the Agency currently has no pass through payments.
- (c) SB 1096 required that redevelopment agencies throughout California collectively contribute to the Education Revenue Augmentation Fund (ERAF).
- (d) Estimated interest income.
- (e) Includes pre-1986 debt obligations to Central Core Redevelopment Project Tax Allocation Refunding Bonds, 1998 Parking Facility, Series A, Certificates of Participation; and City General Fund.
- (f) Figures equal the sum of net tax increment, other agency income and net debt issuance proceeds. Opening fund balance represents non-tax increment generated amounts reserved for capital projects.

### ***3. Other Agency Income***

The Agency receives additional revenues from interest income. Approximately \$521,132 in other Agency income is projected during the five year implementation plan period.

### ***4. Non-Agency Financial Resources***

Wherever possible, the Agency has been and will continue to leverage other funds in connection with its redevelopment efforts. The Agency has targeted local, state and federal funding sources to assist in financing eligible projects. As permitted by law, possible funding sources include government grants and assistance programs, as well as private sector sources.

To a limited extent, the City's development impact fees generated from new development will be a source of public infrastructure and facilities funding when feasible. The Agency will also pursue funds from federal programs including CDBG and HOME Funds, in addition to state and county funds.

## **D. Five-Year Implementation Plan Expenditures**

### ***1. Proposed Program Expenditures – Five-Year Period***

The Agency has developed programs to implement its goals and objectives for the current five year implementation plan period as described in Section A above. The Agency has identified over \$24.5 million in estimated costs of the FY 2004/05 through FY 2008/09 program of non-housing activities, as summarized in Table II-3.

The non-housing program costs over the five-year implementation period exceed the estimated Agency resources for non-housing activities due to the fact that most all of the Agency's financial resources are dedicated to repayment of pre-1986 debt obligations. Thus, the Agency will continue to defer some programs or leverage other funding sources in order to undertake its non-housing programs and activities.

### ***2. Proposed Programs and Expenditures – Project Life***

It was assumed that some program activities proposed by the Agency for this implementation plan period may not necessarily occur as planned in the five-year period or may not occur at all. It is also possible that other programs not listed in this Implementation Plan may instead be pursued. Further, some of the activities to be undertaken beyond the five-year planning period of this Implementation Plan may actually take place within the five-year planning period if development needs or opportunities warrant undertaking the activities.

The projects, activities and expenditures contained in the Implementation Plan are in part based on certain assumptions made by the Agency relating to revenues, ERAF payments, market conditions, community needs and priorities, and resident and developer interest. At that time consequently, should Agency assumptions not be realized or unforeseen circumstances arise, further mid-course modifications in programs and this Implementation Plan may be required.

**Table II-3  
Projected Five Year Non-Housing Redevelopment Program Expenditures  
FY 2004/05 - FY 2008/09**

Non-Housing Program Category and Project Description	Proposed Agency Expenditures FY 2004/05 - FY 2008/09 (a)
<b>Financial and Administrative Activities to Meet Existing Obligations</b>	
Make payments on the Tax Allocation Bonds.	2,960,052
Reimburse the City for the City's payment of debt service on parking garage Certificates of Participation.	6,057,290
Make payments toward the Agency's other pre-1986 debt obligations, particularly the 1977 City Loan.	13,101,552
<b>Establish the Downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.</b>	
Entered into a development agreement (ARDDOPA) with the selected developer for the Town Center Mall to provide a new pedestrian-oriented, mixed use, open-air mall including affordable housing, replacement and additional parking and a multiple screen theater.	N/A
Help implement the Downtown Specific Plan objectives.	N/A
<b>Implement Specific Actions such as the provision of public improvements in an attractive and cohesive physical form, which clearly identifies Sunnyvale's downtown.</b>	
Traffic mitigation measures within and surrounding the proposed Town Center Mall redevelopment.	N/A
Enhance pedestrian connections and public plazas and parks, including a main plaza in the north of Washington area.	N/A
Reestablish and reconnect McKinley and Murphy Avenues to allow vehicle and pedestrian traffic through the new Town Center development.	N/A
Miscellaneous street improvements, including special sidewalk paving, lighting fixtures, benches, landscaping, landmarks, gateways and wayfinding system (823490).	\$1,543,660
Signage program.	N/A
<b>Development and implementation of an overall parking strategy that meets the needs of retail, office, housing and visitor demand.</b>	
Town Center parking structure demolition.	\$800,000
<b>Increase housing opportunities.</b>	
Maintain the character and density of single family neighborhoods surrounding the downtown.	N/A
Encourage mixed housing consisting of market rate and affordable housing in appropriate locations including the proposed Town Center redevelopment and transit corridors in or near downtown.	N/A

(a) These listed expenditures do not represent the complete funding needed for each of these projects. Because the Agency uses most of its financial resources to repay existing debt obligations, the Agency will seek to leverage its resources with additional funding opportunities including any non-tax increment generated revenue, local, state and federal grants and assistance programs, as well as private sector sources.

### **III. Housing Component**

This chapter comprises the Midterm Review of the housing component of the Implementation Plan, summarizing the Agency's housing obligations pursuant to the legal requirements of the CRL. Redevelopment agencies are expressly required to undertake activities that will assist in "increasing, improving, and preserving the community's supply of low and moderate income housing." However, for reasons described below, the Agency is not statutorily required, and will not have revenues available, to actively participate in a program of affordable housing provision over the five-year Implementation Plan period.

This chapter is organized as follows:

- Section A presents an overview of the Agency's affordable housing responsibilities.
- Section B discusses funding for affordable housing activities and describes the history, current status, and projected deficits in deposits to the Housing Fund that the Agency will incur over the Implementation Plan period.
- Section C addresses the statutory requirement for a Housing Production Plan.
- Section D addresses the statutory requirement for a Replacement Housing Plan.

#### **A. Overview of CRL Affordable Housing Requirements**

The housing portion of the Implementation Plan is required to set forth specific goals and objectives for the five year Implementation Plan period (FY 2004/05 through FY 2008/09), present estimates of specific Housing Fund deposits, projects and expenditures planned for the five year implementation period, and explain how the stated goals, objectives, deposits, programs, projects and expenditures will produce affordable housing units to meet these obligations. The CRL requires an implementation plan to include the following affordable housing planning components:

- Amount available in the Housing Fund, estimates of annual deposits into the Housing Fund during the five year Implementation Plan period, and the Agency's plans for using the annual deposits to the Housing Fund.
- The Housing Production Plan, which includes the total number of housing units to be produced and the number of affordable housing units to be produced for three different time periods:
  - For the five year period (FY 2004/05 through FY 2008/09),
  - For the ten year compliance period (FY 2004/05 through FY 2013/2014), and
  - For the life of the Redevelopment Plan (through FY 2027/28).
- If a planned project will result in the destruction of existing affordable housing, identification of proposed locations for replacement housing that the Agency would be required to produce.

For the reasons specified below, only the Housing Fund requirement is applicable to the Agency in its administration of the Redevelopment Plan for the Project Area.

## **B. Housing Fund Status and Deficit Reduction Plan**

The CRL requires an agency to set aside in a separate Low and Moderate Income Housing Fund (the Housing Fund) at least 20 percent of all tax increment revenue generated from its project areas. The funds must be used for the purpose of increasing, improving and preserving the community's supply of affordable housing. Such housing must be available at affordable housing cost and occupied by households of very low, low or moderate income. (Sections 33334.2 and 33334.3)

The Agency first became subject to this Housing Fund deposit requirement in 1986, when the CRL was revised to require agencies administering redevelopment project areas adopted prior to 1976, such as this Project Area, to make such deposits to the extent that the Agency had sufficient funds available to make these deposits. Through FY 1993/94, the Agency made a finding authorized by the CRL that exempted it from the Housing Fund deposit requirement due to its pre-1986 debt obligations. This exemption under the CRL was no longer available after 1994. Instead, starting in FY 1994/95 the Agency has deferred making deposits into its Housing Fund and is accumulating a deficit obligation because no tax increment revenue remains after the Agency has paid obligations on debts entered into before 1986 (consisting of the debt on the Tax Allocation Bonds, the Certificates of Participation, and the amounts owed on the 1977 City Loan).

The Agency is not projected to have tax increment revenue remaining after paying its pre-1986 debt obligations with which to make a deposit to the Housing Fund throughout the Implementation Plan period. The Agency has already made the CRL-required finding to this effect for FY 2007/08, and expects this to continue for each remaining fiscal year of the Implementation Plan period. As a result, the Agency expects to create a deficit in its Housing Fund deposits of about \$10.3 million by the end of this Implementation Plan period, as indicated in Table III-1.

Because it does not anticipate any Housing Fund deposits and because it does not have any other direct sources of funding for affordable housing activities, the Agency does not expect to produce any new, rehabilitated or price-restricted affordable housing units during any of the five years of the Implementation Plan period. However, the City will continue to undertake an active affordable housing assistance program, including rehabilitation of rental and ownership housing and new construction of family housing. Additionally the City will continue to utilize its Below Market Rate Program and undertake affordable housing and support service activities.

In June 1994, the Agency first adopted its Housing Fund deficit reduction plan as required by Health and Safety Code Section 33334.6(g) and later modified the plan as permitted by the CRL. The deficit reduction plan calls for the Agency to reduce its Housing Fund deficit by making extra deposits into the Housing Fund in future years after the following three payments have been made:

1. full repayment of all amounts owed on pre-1986 debt,
2. deposits of 20 percent of current year tax increment revenue into the Housing Fund, and
3. payments to reduce debt incurred in the future for new redevelopment activities.

If full build-out of the Specific Plan occurs over the next twenty years, it is projected that the Agency still would not be able to eliminate the Housing Fund deficit with tax increment revenue from the Project Area before the normal expiration of the Redevelopment Plan in 2028. In that case, the Agency will avail itself of the specific provisions of the CRL that require the City and the Agency to extend the duration of the Redevelopment Plan and/or the amount of tax increment revenue that can be received under the terms of the Redevelopment Plan to the extent necessary to eliminate any remaining Housing Fund deficit (see Health and Safety Code Sections 33333.4(a) and 33333.6(g)).

In connection with preparation of its future annual budgets and any corresponding finding regarding deferral of deposits into the Housing Fund, the Agency will monitor and adjust its Housing Fund deficit reduction plan to reflect changing financial conditions.

**Table III-1**  
**Estimated Housing Fund Deficit**  
**FY2004/05 through FY 2008/09**

Fiscal Year	20% of Gross Tax Increment Revenue	Estimated Deposit to Housing Fund	Deficit in Housing Fund Deposits
Accumulated Deficit through FY 03-04			(\$5,492,253)
2004-05	\$745,954	\$0	(\$745,954)
2005-06	\$753,784	\$0	(\$753,784)
2006-07	\$1,008,185	\$0	(\$1,008,185)
2007-08	\$981,550	\$0	(\$981,550)
2008-09	\$1,289,480	\$0	(\$1,289,480)
TOTAL	\$4,779,206	\$0	(\$10,271,206)

### **C. Affordable Housing Production Requirement**

Redevelopment agencies administering project areas created by redevelopment plans adopted on or after January 1, 1976 and territory added to project areas by amendments adopted on or after January 1, 1976 must meet an affordable housing production requirement. Since the Project Area was established in 1975, this requirement does not apply to the Agency and no production plan is required (Section 33413(d)(1)).

## **D. Replacement Housing Requirement**

In general, when residential units housing low and moderate income persons are destroyed or taken out of the low-and moderate-income market as part of a redevelopment project, a redevelopment agency must replace those units within a specified time in accordance with a plan adopted by the Agency following public review.

The replacement housing requirement applies to project areas established by redevelopment plans (or areas added by amendments) adopted on or after January 1, 1976. For redevelopment agencies that are administering project areas established prior to 1976, the replacement housing obligation will become applicable only with respect to dwelling units removed from the housing stock as a result of redevelopment activities on or after January 1, 1996.

The Agency has incurred no replacement housing obligation under the CRL to date. The Agency has no plans to remove housing from the Project Area as part of a redevelopment project and is not anticipated to incur a replacement housing obligation during the five-year Implementation Plan period. However, if the Agency were to incur a replacement housing obligation, the Agency will meet all CRL requirements including the preparation of a specific replacement housing plan prior to removal of such units.